

MINUTES OF JUNE 24, 2010, MEETING

STATE OF WISCONSIN EMPLOYEE TRUST FUNDS BOARD

Holiday Inn Hotel and Suites, Conference Rooms A & B
1109 Fourier Drive, Madison, WI

DRAFT

BOARD PRESENT:

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| Marilyn Wigdahl, Chair Wayne Koessl, Vice-Chair Robert Niendorf, Secretary John David Theron Fisher | Kathleen Kreul Wayne McCaffery Paul Ostrowski (on behalf of Sheila Conroy) Dan Nerad Mary Von Ruden |
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BOARD NOT PRESENT:

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| Michael Langyel | |
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PARTICIPATING EMPLOYEE TRUST FUNDS (ETF) STAFF:

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| Dave Stella, Secretary Bob Conlin, Deputy Secretary Cindy Gilles, Board Liaison Michelle Baxter, Division of Insurance Services | Jon Kranz, Office of Budget and Trust Finance Shawn Smith and Roger Fletcher, Division of Retirement Services Matt Stohr, Office of Legislative Affairs, Communications and Quality Assurance |
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OTHERS PRESENT:

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| ETF Office of the Secretary: Rhonda Dunn ETF Division of Management Services: Lynda Hanold, Pam Henning ETF Division of Retirement Services: Anne Boudreau, Jean Gilding ETF Office of Budget and Trust Finance: Bob Willett ETF Office of Internal Audit: Claudius Lebi, John Vincent | ETF Office of Legislative Affairs, Communications and Quality Assurance: Nancy Ketterhagen, Sari King, ETF Office of Policy, Privacy and Compliance: Steve Hurley, Linda Owen Gabriel, Roeder, Smith, and Company: Norm Jones, Brian Murphy Teachers Retirement Board Member: Betsy Kippers, Steve Scheible |
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Marilyn Wigdahl, Chair, called the meeting of the Employee Trust Funds Board (Board) to order at 12:30 p.m.

| Board | Mtg Date | Item # |
|-------|----------|--------|
| ETF | 9.16.10 | 1 |

CONSIDERATION OF PREVIOUS MEETING MINUTES

MOTION: Ms. Von Ruden moved to approve the open and closed session minutes of the March 18, 2010, Employee Trust Funds (ETF) Board meeting as submitted by the Board Liaison. Ms. Kreul seconded the motion, which passed without objection on a voice vote.

ANNOUNCEMENTS

Bob Conlin, Deputy Secretary, noted that Gary Sherman has resigned from the ETF Board and the Group Insurance Board (GIB). Mr. Sherman has been appointed to the Wisconsin Court of Appeals by the Governor. There has been no word on his replacement. Mr. Conlin welcomed Paul Ostrowski from the Office of State Employment Relations. He will be acting on behalf of Board member Sheila Conroy. Mr. Stella noted that ETF Board member Rosemary Finora has been appointed to the GIB by the Governor.

COMMITTEE REPORTS

Executive Committee Ms. Wigdahl provided a summary of the June 23, 2010, Executive Committee meeting. The Committee approved the minutes of the December 2, 2009, meeting. Committee members also elected the following officers: Wayne Koessl, Vice-Chair and Bob Niendorf, Secretary. The Committee discussed the Department's April through June 2010 Quarterly Progress Report, reviewed the agenda for the June 24, 2010, ETF Board meeting, received an update on two human resources reports covering activities for the past quarter and for fiscal year 2009-2010, and discussed the Secretary's annual evaluation.

Budget and Operations Committee John David advised the Board that the Budget and Operations Committee met on June 24, 2010. The Committee approved the minutes of the December 3, 2009, meeting. Committee members elected the following officers: John David, Chair; Theron Fisher, Vice-Chair; and Mary Von Ruden, Secretary. The Committee reviewed and discussed the Department's supplemental funding and position request to the Joint Finance Committee. The Department's plan to expand outreach services to participants and employers in underserved areas of the state was discussed.

DISCUSSION AND CONSIDERATION

Wisconsin Retirement System 29th Annual Valuation of Active Lives – December 31, 2009 Ms. Wigdahl noted that the Board needed to take action to accept the actuary's report *Wisconsin Retirement System 29th Annual Actuarial Valuation of Active Lives - December 31, 2009*, and adopt the recommendation.

MOTION: Mr. Koessler moved to accept the report of the actuary. Mr. Nerad seconded the motion, which passed without objection on a voice vote.

Accumulated Sick Leave Conversion Credit Program Annual Review Norm Jones of Gabriel, Roeder, Smith & Co., reviewed the report, *Accumulated Sick Leave Conversion Credit Programs - December 31, 2009*. Mr. Jones noted that this is a program in which participants accumulate unused sick leave during their working years and, at the time of retirement, the value of the accumulated unused credits are converted to a dollar amount and used to pay for retiree health insurance premiums. Mr. Jones reviewed statistical information of the program and noted that the contribution rates can be expected to increase moderately. The recommended contribution rates as of January 1, 2011, are as follows:

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| University Hospital Authority | 1.7% |
| Health and Education Facility | 2.7% |
| Wiscraft | 2.9% |
| Other State Employers | 1.2% |

Mr. Jones responded to questions from the Board.

MOTION: Ms. Von Ruden moved to accept the actuary's report on the Accumulated Sick Leave Conversion Credit Programs and adopt the recommendation. Ms. Kreul seconded the motion, which passed without objection on a voice vote.

Actuarial Review of the Duty Disability Plan as of December 31, 2009 Mr. Conlin reviewed the *Duty Disability Plan Actuarial Review as of December 31, 2009*. Deloitte Consulting has completed its annual actuarial valuation of the duty disability plan and is not recommending a contribution rate increase for this program.

MOTION: Mr. Koessler moved to accept the Duty Disability Plan Actuarial Review as of December 31, 2009. Mr. Niendorf seconded the motion, which passed without objection on a voice vote.

Departmental Supplemental Funding Request Jon Kranz, Director of the Office of Budget and Trust Finance, reviewed the Department's Supplemental Funding Request (also known as a 13.10 request). Mr. Kranz is pleased to report that the Joint Committee on Finance met on June 23, 2010, and approved the Department's entire request. The request included 14.5 permanent full-time equivalent positions along with \$2.42 million in funding. The request addressed two major categories: customer service and outreach; and data and infrastructure.

OPERATIONAL UPDATES

Secretary's Report Dave Stella, Secretary, presented his *Secretary's Report* to the Board. Mr. Stella acknowledged the work of staff in preparing the Department's 13.10 Supplemental Funding Request. Development of the biennial budget will begin immediately.

Mr. Stella advised the Board that about 90 ETF staff will move to the Department of Revenue building. The move is expected to occur in September 2010. Having staff in two different buildings, two miles apart, is not an ideal arrangement, but this is a short-term solution to overcrowding. The long-term solution is the procurement of a different building. At this time, the Department is discussing a lease/purchase option with the Department of Administration. He reviewed a tentative timeline for procurement of a new facility with the Board.

Over 70 ETF staff are currently eligible to retire. The Department is recruiting for open positions and has been fortunate to attract very qualified external employees from other state agencies and private employers. There are a number of internal promotions taking place as well.

Mr. Stella answered questions from the Board.

Member Correspondence Matt Stohr, Director, Office of Legislative Affairs, Communications and Quality Assurance, referred the Board members to his memo regarding letters and e-mails that have been received since the March Board meeting. The most common themes were two-fold: 1) the Core Fund negative annuity adjustment; and 2) the Variable Fund, particularly the difference between the Variable Fund effective rate and the Variable Fund annuity adjustment. The Department has also received over 30 contacts from legislators about those two topics and other topics.

Service Delivery Changes Mr. Conlin introduced Shawn Smith, Director of the Member and Employer Services Bureau, and Roger Fletcher, Director of the Program and Benefit Information Bureau. Ms. Smith and Mr. Fletcher presented an overview of the Department's Service Delivery Plan. They discussed four strategies to expand education and outreach in more parts of the state.

- Strategy 1 will divide the state into nine regional service delivery districts.
- Strategy 2 will reallocate the resources currently used for the stand-alone Waukesha office.
- Strategy 3 will expand the scope and type of education and outreach materials that is put on-line.
- Strategy 4 will expand education and outreach for employers.

Enrollment, Validation and Payment (EVP) System Mr. Conlin introduced Michelle Baxter, Director of the Insurance Administration Bureau. Ms. Baxter provided detailed

information on "myETF Benefits," one of the components of the EVP system. "myETF Benefits" will permit members to view their health insurance benefits on-line. At the present time, only inquiry access is available. On August 1, 2010, update capability will be available to members. Ms. Baxter described the new program and how members will access the information.

Mr. Conlin referred the Board to the remaining informational memos in their Board binders.

FUTURE ITEMS FOR DISCUSSION

No future items were mentioned.

Ms. Wigdahl announced that the Board would be meeting in closed session pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) and (c) for quasi-judicial deliberations and to discuss personnel matters. Specifically, the Board would be considering appeals and discussing the Secretary's evaluation. Upon conclusion of the discussion, the Board would reconvene in open session.

MOTION: Ms. Kreul moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) and (c) for quasi-judicial deliberations and to discuss personnel matters. Ms. Von Ruden seconded the motion, which passed on the following roll call vote:

Members Voting Aye: David, Fisher, Koessl, Kreul, McCaffery, Nerad, Niendorf, Ostrowski, Von Ruden, and Wigdahl.

Members Voting Nay: None

The Board took a break from 1:40-2:00 p.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Ms. Wigdahl announced that the Board took the following action during closed session:

Appeal No. 2009-005-ETF The Board adopted the hearing examiner's proposed decision with modifications.

Appeal Nos. 2008-045-ETF, 2008-055-ETF, 2008-056-ETF, 2008-057-ETF The Board rejected the hearing examiner's proposed decision.

Personnel Matters The Board discussed the evaluation of the Secretary.

ADJOURNMENT

MOTION: Ms. Von Ruden moved to adjourn the meeting. Mr. Fisher seconded the motion, which passed without objection on a voice vote.

The meeting of the Employee Trust Funds Board adjourned at 3:40 p.m.

Date Approved: _____

Signed: _____
Robert Niendorf, Secretary
Employee Trust Funds Board